

Remarks of Ambassador Peter Scher
Special Trade Negotiator

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The United States and the European Union (EU), as the world's two largest economies, have special responsibilities to support and strengthen the rules-based trading system. Both of us must live within the rules of the WTO which we worked so hard to establish. We must set the right example for other countries to abide by these rules. Otherwise, the WTO rules will not be respected, and the WTO will lose the credibility to halt protectionism.

This is the reason we have been clear about obeying the rules ourselves. We have lost four WTO cases, and have been willing to implement findings against us. We expect the EU to do the same. And, if it is not willing to fulfill its WTO obligations, the EU must pay the consequences of its failure.

In the banana case, we have used the WTO process as it was intended. And the WTO arbitrators, like two GATT panels and two WTO panels before them, confirmed today what we have been saying for nearly one year: that the EU remains in violation of its WTO obligations by maintaining a discriminatory banana regime. And further, that this regime continues to damage the U.S. economy in the amount of nearly \$200 million, specifically \$191.4 million.

Therefore, the U.S. will impose 100 percent duties on nearly \$200 million worth of products imported from the EU. The final list of products which will be subject to the increased duties and details regarding the suspension of tariff concessions and the imposition of increased duties will be published in the *Federal Register* in the next few days.

We do not want to be taking this action. We would have preferred that the EU had worked with us to resolve this six-year old dispute. And let me stress that the United States remains open to a negotiated resolution. Our conditions remain simple – a WTO-consistent regime, and one that enables vulnerable Caribbean countries to continue to export their bananas.

However, if the EU chooses to maintain policies that perpetuate the discrimination of the past six years, even after this judgment, the failure will be the EU's failure, not the WTO's. We have been patient as the EU refused to acknowledge the clear WTO-inconsistency of its regime. We have been patient as it tried to deflect its guilt with cries of U.S. "unilateralism." We have been patient as it used every procedural tactic possible to delay compliance. But their time has run out.

The panel has rejected the EU's claim's of compliance. The panel has rejected their procedural claims and has clearly rejected the EU's interpretation of the WTO rules.

The United States has paid the cost of the EU's discrimination for six years. Now they

must pay the price.

We hope the EU will finally choose the path of compliance. The WTO would be strengthened if the EU demonstrates that it can overcome the narrow interests that have so far prevented it from adopting a WTO-consistent banana system.

The purpose of the WTO rules is to provide nations the justification for taking difficult decisions for the good of the world trading system. This is how we all stop protectionism in its tracks. This is how trade can flourish and nations can prosper.

The choice is with the EU.

One final point - - The arbitrators specifically rejected the EU's argument that the U.S. did not have the right to suspend concessions until after the EU proceeded under Article 21.5 – the panel said, “we disagree.” The panel said that the U.S. position achieves the multi-lateral objectives of the WTO. We view this as a major victory for the WTO dispute settlement process.